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A. C. OF S., G-2, DA

TAB "A"

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G-2 CONTRIBUTION TO NIE-32

EFFECTS OF OPERATIONS IN KOREA ON THE CHINESE COMMUNIST REGIME

\*ARMY Declass/Release Instructions On File\*

I. POLITICALA. Unity of the Regime

Although the history and character of the Chinese people would appear to argue for a position of independence for Chinese Communism within the global movement, and despite reports that some Chinese Communists cherish "nationalist" ideas while others favor subservience to Moscow, no present or imminent split within the Peiping regime is indicated. Indeed, the organization of the Chinese Communist hierarchy is of such a nature as to preclude internal friction. Thus far the Chinese Communist high command has faithfully followed the Kremlin line in support of the international Communist program and has maintained a solid front in the prosecution of the Korean war, even in the face of reverses.

B. Popular Support

Adverse developments in Korea and the oppressive measures taken by the Chinese Communist regime within China have undoubtedly resulted in dissatisfaction and loss of confidence among large elements of the Chinese population, including much of the peasantry as well as business and professional groups. In view, however, of the strength of the regime's security and control methods and the general apathy and lack of cohesion of the dissatisfied groups, it is estimated that, unless outside aid and leadership is given the dissidents, the Chinese Communist regime will not encounter any significant degree of opposition from internal forces as a result of the present developments in Korea.

C. Internal Security

Guerrilla activities, while lacking in coordination, unified leadership, and political integration, are giving the Communist regime

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in China considerable trouble. They do not, however, constitute a serious threat as sufficient Communist forces are available in all parts of China to cope adequately with internal dissident forces.

#### D. Sino-Soviet Relations

In the face of numerous conflicting reports, there is as yet no firm evidence that the Korean war has brought about any significant change in existing Sino-Soviet relations. It is noteworthy that shortly before its intervention in Korea the Peiping regime took positive steps to reaffirm its close alignment with Moscow by entering into the Sino-Soviet Treaty early in 1950 and by forcing the liquidation of much of the western economic and other activity in China. Since the intervention, both Moscow and Peiping have, in their propaganda, repeatedly stressed their ideological kinship, and Moscow has even gone so far as to characterize the Chinese Communist regime as an "equal partner" with the U.S.S.R. Rumors of friction or resentment between the two governments in connection with the Korean venture have not been supported by any factual evidence.

### II. ECONOMIC

#### A. General Effect on Chinese Economy

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[REDACTED]

the internal economy. Known developments in the fields of munitions production, transportation, and foreign trade, however, will throw some light on the degree of stringency to which the economy has been subjected and may help form the basis for estimates of the cumulative effects which a continuation of the Korean venture will have.

2. There are marked changes indicated in the munitions industry of Communist China since the beginning of the Korean war. [REDACTED]

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[REDACTED] some plant installations in the vital

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90th Arsenal at Mukden, reportedly accounting for 90 percent of the total munitions output of Communist China, have been moved to northern Manchuria. Similarly, some arsenal plant installations in Shantung have been moved west, presumably to Taiyuan, and other arsenal installations in Chungking have been moved east to Hankow. [REDACTED]

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[REDACTED] A severe shortage of copper is estimated to exist in Communist China and has made it difficult for the munitions producers to supply satisfactory small-arms cartridges and artillery shells. Those found in the combat zone of the Chinese Communists in Korea have been of a very inferior brass.

3. In spite of these reported moves of plant installations and shortage of some raw materials, the munitions industry is nevertheless believed to be producing at peak capacity and also to be expanding. Soviet aid, both in terms of technical assistance and exports of machine tools and raw materials, in addition to imports from the non-Soviet world, mainly Western Europe, are largely responsible for the expanding munitions production.

4. Since gaining control of the Chinese mainland, the Chinese Communists have improved the overall efficiency of the railroads. They have improved the condition of the track and structures and have also built some short stretches of new line. These improvements have been accomplished only in part through imports of railroad equipment, a considerable quantity of which has been shipped from the non-Soviet world. However, while a few new lines have been built, other railroads of less strategic importance have been dismantled, the equipment apparently being used to rehabilitate and maintain the important trunk lines which the Communists inherited from the Chinese Nationalists, and in part to supply equipment for new lines.

5. The Korean war has led to increased demands on the railroads for the movement of troops and supplies. The scale of this movement has at

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times resulted in the cessation of all other traffic on certain lines over short periods of time. The traffic run for purely military purposes cannot be assessed in terms of train-mileage but must have reduced to some extent the distribution of freight within the economy. It has not been determined whether or not there are any Chinese locomotives or rolling stock in Korea, and therefore there are no figures relating to the destruction of Chinese railway equipment in Korea by UN air action.

6. As regards highway vehicles, it is known that many motor vehicles normally engaged in trade have been requisitioned for military use and removed from the civil economy. Many vehicles used to supply the Communist forces in Korea have been destroyed by UN air action. It is not known, however, how many of these vehicles have been supplied -- or replaced -- by the Soviets and how many have been requisitioned from the civil economy in Communist China.

7. Both the volume of certain commodities and the over-all value of imports received by Communist China in the second half of 1950 rose to abnormal levels. It is estimated that imports other than those from the U.S.S.R., during the period January through June 1950 had a value equivalent to \$130,000,000 while imports received during the remainder of the year reached a value equivalent to \$350,000,000. This increase in value is partly explained by the rapid rise of world prices of the raw materials which Communist China was importing. During the same period there was a marked shift in imports from consumer goods to industrial raw materials and capital goods. The outstanding example of this shift is shown by the increase in the imports of rubber. During the first half of 1950 Communist China imported approximately 7,000 metric tons of rubber paying an equivalent to \$4,000,000, but during the last six months of the year rubber imports totaled nearly 79,000 metric tons at a cost equivalent to \$111,000,000. This level of rubber imports was continued during the first four months of 1951 when over 55,000 metric tons were received from Malaya

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and Hong Kong. The normal annual requirements of China are between 25,000 to 35,000 tons.

8. The volume of imports of iron and steel during the last half of 1950 was not much greater than in the first half. The total imports for the year from non-Soviet countries were approximately 300,000 metric tons with a value equivalent to \$35,000,000. This volume was almost double China's imports of iron and steel in 1948. Japan, who was Communist China's largest supplier of these items in 1950, imposed an embargo on the shipment of them to Communist China at the beginning of the current year and, therefore, it is anticipated that the latter country's imports will drop considerably in 1951.

9. Communist China's imports of both petroleum products and raw cotton decreased following the export bans imposed by the United States in July and September respectively. While it is impossible to estimate the amount of petroleum that reached Communist China through smuggling, it is believed that not more than 4,000,000 barrels of petroleum products were available for consumption during 1950. The effect of the decrease in imports is shown in the strict rationing system established even for official and military vehicles and in the conversion of motor vehicle engines and industrial power plants to the use of coal, charcoal, and other substitutes. Imports of raw cotton during the year approached 450,000 bales, but nearly all of this amount was received during the first nine months. The reduction in imports of raw cotton has resulted in a ban on exports of both raw cotton and yarn and in the forced sale of domestically produced cotton to the nationalized spinning mills. Although many barter offers to India, Pakistan and Egypt have been reported, Communist China has not yet found a source of supply adequate to meet the demands of the textile industry.

10. Exports from Communist China to non-Soviet countries increased steadily throughout 1950. The volume in the last quarter of the year was

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nearly double that shipped during the first quarter. Allowing for seasonal fluctuations, the same rate of increase holds for most of the major categories of goods in export trade. But the value of exports did not keep pace with the tremendous increase in value of the imports. Although in the first half of 1950 exports exceeded imports by a value equivalent to \$20,000,000, Communist China's international payments position was reversed during the second half of the year with imports exceeding exports by a value equivalent to \$100,000,000. Thus, Communist China's holdings of foreign exchange assets and specie were reduced by approximately \$80,000,000.

11. Communist China has become increasingly dependent upon Hong Kong as the entrepot of trade with the non-Soviet countries. Based on value, Hong Kong supplied approximately 61 percent of Communist China's imports from the non-Soviet countries in 1950 while in 1949 China received only about 45 percent of her total commercial imports from the crown colony. Preliminary figures for the first quarter of 1951 show that Hong Kong's exports to Communist China reached the highest peak in the history of the colony.

B. Soviet Economic Aid

The evidence regarding the nature, extent, and effectiveness of Soviet economic aid to Communist China is inconclusive. There is no indication that actual economic aid, in the form of either gratuitous shipments of merchandise or commodities has been furnished Communist China by the U.S.S.R. While there are reports of shipments to China of motor vehicles, petroleum products, and a few other items, such as machine tools for munitions plants, it seems clear that these have been fully paid for by counter-shipments of agricultural and mineral products to the U.S.S.R., despite the provision for extension of long-term credits under the February 1950 agreement.

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### III. MILITARY

#### A. Losses in Korea

1. Chinese Communist casualties in Korea from the beginning of the intervention to 30 April 1951 are estimated to have been as follows:

Battle	-	309,500 (including 3,400 PW)
Non-Battle	-	<u>50,000</u>
		359,500

2. The well-trained, experienced junior officers and noncommissioned officers have been one of the sources of strength in the Chinese Communist Field Forces. Since at least portions of the best Communist armies have been committed in the Korean war, the losses of these key personnel are believed to have been high. While Communist China possesses vast quantities of untrained and partially trained manpower, the loss of able, junior leaders cannot be easily replaced.

3. While the Chinese Communists have undoubtedly suffered considerable losses of military materiel in Korea, principally in the form of small arms and motor vehicles, the meager information available does not permit an estimate as to how serious a drain these losses have been on the resources of Communist China.

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**B. Internal Security Commitments**

The portion of trained military manpower currently committed to specific security tasks within China cannot be accurately determined. A large part of the local security and garrison-type duties is performed by Military District troops. They are aided in this task by local militia. In attempting to eliminate guerrilla activities, however, it has also been necessary for the Communists to commit Field Force units up to divisional size in certain areas. In addition to the Military District units and militia, possibly as many as 500,000 Field Force troops are at least partially engaged in guerrilla suppression work. The mere presence of a million additional Field Force troops discourages dissident activities in other areas.

**C. Uncommitted Reserves**

Total manpower under arms within China is estimated at 1,554,000 Field Force troops and 1,450,000 Military District troops, supplemented by some 6,000,000 part-time local militia. Comparatively few of these can be considered "uncommitted reserves" in the sense that they are immediately available for employment in Korea or elsewhere, since even the Field Forces are either partially committed to anti-guerrilla activities or serve as a deterrent to dissidence. Some units also have defensive commitments along the coast or are deployed in the vicinity of Indo-China or Tibet. On the other hand, adjustments can be made without great difficulty to release Field Force troops for commitment elsewhere, by redeployment of other units, by drawing upon Military District troops and/or militia for replacements and fillers, and by recruitment.

**D. Training Program**

There is little information on the type or intensity of military training within Communist China, as affected by the Korean war. It is known that new military schools have been established, and the considerable expansion of the forces, and particularly of the militia, has undoubtedly called for greater basic training efforts. The number of Soviet military

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advisers has apparently been increased in recent months, with a resulting stepping up of the technical training program.

#### E. Defections

1. Defections from the Chinese Communist military forces have not, as yet, occurred in any significant numbers. Reports exist of revolt within small units in China proper, but these cannot be given full credibility. Individual defections have taken place along the coastal areas where individuals have gone over to Nationalist units on the smaller off-shore islands.

2. A relatively small number of Chinese Communist prisoners of war have been taken by United Nations forces in Korea. It is significant, however, that in recent weeks the ratio of desertions has increased slightly. There is definite evidence that the morale of Chinese Communist troops in Korea has deteriorated. Future defections will be dependent to a large degree upon the opportunity for successful defection and the degree of security with which this action can be accomplished. Interrogation has shown that the Chinese Communist command has successfully convinced many of the troops that surrender to the U.N. forces means certain death. U.N. psychological warfare leaflet drops and other propaganda methods have not succeeded thus far in countering this propaganda.

3. Defections of high-level commanders have not taken place. The Chinese Communist "commissar" or "political officer" system makes much more difficult large-scale desertion and defection even though a large percentage of the troops might desire to defect.

#### F. Mobilization

1. While there has been a general increase in military activity in China since the beginning of the intervention in Korea, together with much propaganda about "volunteer" support for Korea, there has been no military mobilization in the proper sense of the term. Total estimated Field Force strength has risen from 1,770,000 on 1 October 1950

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to 2,110,000 on 15 May 1951, but this increase is more than accounted for by the 556,000 Chinese Communist troops now estimated to be in Korea. In other words, Field Forces within China have actually declined slightly. There is considerable evidence that the Militia, as well as the Military District troops, have been strengthened in order to provide a larger replacement pool for the Field Forces and to maintain internal security.

2. Redeployment of forces, as distinct from numerical expansion, has had the effect of strengthening the forces in Manchuria (presumable for reinforcement of Korea), along the coast opposite Formosa (primarily defensive), and near the Indo-China border.

G. Soviet Military Aid

1. Soviet military support of Chinese Communist forces has been limited, so far as can be determined. Aircraft have been furnished in considerable numbers, and substantial quantities of gasoline have been supplied, including aviation fuel. There are also reports that the Soviets have supplied some trucks, small-arms ammunition, and electronic equipment, but these reports cannot be confirmed, and any quantities supplied may well be small. No Soviet heavy equipment has been noted in Chinese Communist hands in Korea, although at least some units are apparently equipped with small arms of Soviet type. In this connection, the Soviets reportedly have furnished some equipment to the Mukden Arsenal for the manufacture of automatic weapons and light artillery. Soviet antiaircraft guns have been reported in Shanghai and other cities.

2. Many recent reports state that the Soviets have agreed to organize, equip, and train anywhere up to 50 Chinese Communist divisions, including both infantry and tank units. Other reports cite alleged Soviet plans to provide varying numbers of naval vessels, fighter and bomber aircraft, vehicles, tanks, and arsenals to the Chinese Communists. None of these reports can be confirmed and there is no reliable evidence that any such plans have begun to go into effect.

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3. On the basis of the limited and fragmentary information available, it is not possible to estimate the quantitative extent of Soviet military assistance to the Chinese Communists. It is possible that tanks and heavy equipment are being supplied to units in Manchuria which are in the process of organization and training or are being held in reserve, but there is as yet no firm evidence that this is the case.

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